

Message Text

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INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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DEPT PASS COMMERCE FOR BIC: PASS FAA FOR CHARLES CARY

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SUBJECT: AVIATION AND AIRPORT DEVELOPMENT TRADE MISSION

REF: (A) 75 RIO DE JANEIRO A-94, (B) 75 RIO DE JANEIRO 2698,
(C) 75 RIO DE JANEIRO A-36

SUMMARY. WITHIN AN INCREASINGLY DIFFICULT IMPORT CLIMATE, THE AVIATION SECTOR PRESENTS AN OUTSTANDING OPPORTUNITY TO PROMOTE LONG-TERM US COMMERCIAL INTERESTS. A GENEROUS EXEMPTION FROM A TIGHT WEB OF IMPORT RESTRICTIONS CURRENTLY APPLIES TO THE AVIATION SECTOR. REVERSING OUR PREVIOUS RECOMMENDATION FOR REASONS EXPLAINED BELOW. WE NOW RECOMMEND THAT SUBJECT GROUP NOT RPT NOT MAKE A HARD SALES PITCH IN BRAZIL BUT FOCUS INSTEAD ON TECHNICAL PRESENTATIONS. WE RESERVE RECOMMENDATION RE THE FIXED FORMAT OF A SEMINAR UNTIL WE LEARN MORE ABOUT MISSION COMPOSITION OF GROUP. AFTER DISCUSSIONS WITH COMPANIES, USDOC MAY BE ABLE TO SUGGEST HOW TO INTRODUCE FLEXIBILITY INTO FORMAT. WE ALSO SUGGEST A ONE OR TWO-DAY WORKING STOP IN RIO. PLANNING FOR SUBJECT GROUP HAS INVOLVED CLOSE COORDINATION WITH REGIONAL FAA REP WHICH EMBASSY RECOMMENDS BE COMPLEMENTED BY COMMERCE-FAA COLLABORATION IN THE SELECTION OF PARTICIPANTS FOR SUBJECT GROUP. SPECIFIC SUGGESTIONS RE BRAZILIAN EQUIPMENT NEEDS FOLLOW BELOW.

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1. PARTS AND COMPONENTS FOR THE MANUFACTURE, REPAIR OR MAINTENANCE OF AIRCRAFT AND HELICOPTERS ARE EXEMPT FROM TARIFFS AND OTHER RESTRICTIONS PROVIDED THEY ARE IMPORTED FOR USE BY GOVERNMENT AIRCRAFT, COMMERCIAL COMPANIES ENGAGED IN AIR TRANSPORTATION, SUCH AS AIRLINES, AIR TAXIS, AERIAL PHOTOGRAPHY, EXPLORATION, AGRICULTURAL AVIATION, AERO CLUBS, AND CERTIFICATED AIRCRAFT AND AVIONICS REPAIR AND OVERHAUL SHOPS. (SEE PAGE 3 OF ENCLOSURE NO. 2 REF A). THE FOREGOING EXEMPTION COUPLED WITH BRAZIL'S DETERMINATION TO ESTABLISH A SIGNIFICANT AERONAUTICAL INDUSTRY OFFER AN OUTSTANDING OPPORTUNITY TO PROMOTE U.S. COMMERCIAL INTERESTS. REENFOJCING THIS OPPORTUNITY IS A BILATERAL AIR-WORTHINESS AGREEMENT WITH THE UNITED STATES EXPECTED TO BE SIGNED WITHIN A FEW MONTHS.

2. IN REF B) WE RECOMMENDED THAT APPROPRIATE VEHICLE FOR SUBJECT GROUP IN BRAZIL WOULD BE A TRADE MISSION AS OPPOSED TO THE SUGGESTED TECHNICAL SALES SEMINAR. OUR REASON FOR THIS ORIGINAL RECOMMENDATION WAS THAT BRAZIL, UNLIKE THE OTHER STOPS ON THE SUBJECT GROUP'S TRIP, ALREADY HAS AN AIRCRAFT MANUFACTURING INDUSTRY. WITH A RELATIVE ABUNDANCE OF TECHNICAL INFORMATION AVAILABLE LOCALLY, WE FEARED THAT A TECHNICAL SEMINAR MIGHT BE POORLY ATTENDED. WE ARE NOW REVERSING OUR RECOMMENDATION.

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ALTHOUGH THE AVIATION PRODUCTS MARKET IN BRAZIL IS CURRENTLY DOMINATED BY US EXPORTERS, WE HAVE RECEIVED EXPLICIT INDICATIONS FROM THE DIRETORIA ELETRONICA E PROTECAO DE VOO THAT THEY WISH TO DIVERSIFY THEIR SOURCES OF SUPPLY FROM THE THREE MAJOR CURRENT U.S. SUPPLIERS: WESTINGHOUSE, TEXAS INSTRUMENTS AND WILCOX. THIS RATHER RECENT ATTITUDE WAS BROUGHT ABOUT BY ANNOYING DELIVERY DIFFICULTIES THAT OCCURRED LAST FALL. INCREASED DEPENDENCE ON ONLY TWO OR THREE COMPANIES, IT IS FELT, CREATES INDIFFERENCE AND COMPLACENCY ON THE PART OF THESE MANUFACTURERS RESULTING IN DELIVERY DELAYS, HIGHER COSTS AND LOSS OF BARGAINING POWER. FOR THIS REASON THERE IS NOW STRONG INTEREST IN DEVELOPING CONTACTS WITH OTHER U.S. FIRMS THROUGH IN-DEPTH TECHNICAL DISCUSSIONS. END LIMITED OFFICIAL USE.

WE WISH TO STRESS, HOWEVER, THAT THIS IS NOT THE TIME FOR THE LIMITED OFFICIAL USE

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HARD SALES APPROACH. BRAZILIAN CONTACTS CAN BE EXPECTED TO ENCOURAGE U.S. FIRMS TO MANUFACTURE LOCALLY UNDER LICENSE OR JOINT VENTURE ARRANGEMENTS. MAXIMUM EXPORT INCREMENT WILL BE REALIZED THROUGH JOINT VENTURE AND PECENSING OPPORTUNITIES ON PIPER AIRCRAFT/EMBRAER MODELS (REF C).

3. IN ORDER TO MAINTAIN OUR STRONG MARKET POSITION IN BRAZIL (PARTICULARLY IN VIEW OF COMMENTS IN FOREGOING PARAGRAPH),

WE NOW ALSO RECOMMEND A ONE OR TWO-DAY WORKING STOP IN RIO IN ADDITION TO THE SCHEDULED SAO PAULO STOP. CIVIL AUTHORITIES, MAJOR GOB PURCHASERS OF AVIONICS AND IMPORTANT DISTRIBUTORS AND GENERAL AVIATION REPAIR SHOPS ARE LOCATED IN RIO.

4. WE HAVE OBTAINED BREAKDOWNS OF SPECIFIC EQUIPMENT NEEDS AND THEY ARE GIVEN BELOW. HOWEVER, WE WISH TO UNDERSCORE THAT IN VIEW OF THE US-BRAZIL AIRWORTHINESS AGREEMENT EXPECTED TO BE SIGNED WITHIN A FEW MONTHS, THE STRONGEST INTEREST ON THE PART OF BRAZILIANS LIES IN COMPANIES MANUFACTURING EQUIPMENT APPROVED BY FAA. EMBASSY RECOMMENDS THAT COMMERCE AND FAA COLLABORATE IN THE SELECTION OF FIRMS TO REPRESENT A CROSS-SECTION OF U.S. CAPABILITY IN THESE FIELDS. EQUIPMENT REQUIREMENTS FOR 1976 INCLUDE: 11 ALS (APPROACH LIGHT SYSTEMS); 29 DME (DISTANCE MEASURING EQUIPMENT); 6 ILS (INSTRUMENT LANDING SYSTEMS); 5 PAR (PRECISION APPROACH RADAR); 2 PRIMARY, 2 SECONDARY RADARS; 10 METEOROLOGICAL RADARS; 28 VASIS (VISUAL APPROACH INDICATOR SYSTEMS); 35 VORS (VERY HIGH FREQUENCY OMNI RANGE). FOR THE LONGER TERM, BRAZIL'S NATIONAL DEVELOPMENT PLAN ENDING 1980 CALLS FOR APPROXIMATELY 20 ALS, 130 VASI, 200 VOR, 60 ILS, 20 RADARS AND 12 VHF/DF.
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